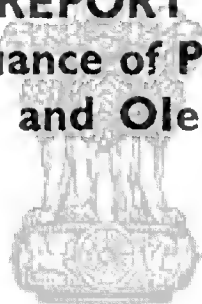




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GOVERNMENT OF INDIA
TARIFF COMMISSION

REPORT ON
The Continuance of Protection to the
Stearic Acid and Oleic Acid Industry



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BOMBAY 1957

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GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF HEAVY INDUSTRIES)

New Delhi, the 9th Nov. 1957.

RESOLUTION

Tariffs

No. 2(2)-T.R./57.—The Tariff Commission has submitted its Report on the continuance of protection to the Stearic Acid and Oleic Acid Industry on the basis of an inquiry undertaken by it under Sections 11(e) and 13 of the Tariff Commission Act, 1951. Its recommendations are as follows:—

- (1) Protection to the Stearic Acid and Oleic Acid Industry should be continued for a period of 2 years, that is, till 31st December 1959, at the existing rate of duty, viz., 35 per cent *ad valorem* or 50 Naye Paise per lb. whichever is higher.
- (2) Licences allowed to actual users of stearic acid should be reduced to the minimum. Utmost scrutiny should be exercised in regard to the needs of the cosmetics industry and the position reviewed in the light of progress made by the stearic acid industry in establishing the commercial production of the grade of acid required by the cosmetics industry. If it is found at all necessary to license any quantity for the textile industry because of its demand for high grade stearic acid required for its export trade, the quantity licensed should be carefully related to the exports of cloth and the position reviewed in the light of the technical investigation by the Ahmedabad Textile Industry's Research Association.
- (3) Government should consider sympathetically schemes proposed by producers for modernisation of their plants to improve the standard of quality of their products.
- (4) Government should explore the possibilities of fully exploiting the available resources of mutton tallow within the country and take the necessary steps to develop domestic sources of supply.
- (5) Government should explore the possibilities of cultivation of red palm trees as a source of palm oil.
- (6) The question of greater exploitation of oil seeds like cotton seed and mowra seed for extraction of oils to be hardened and used for producing fatty acids should engage the attention of the Indian Central Oil Seeds Committee. The industry should actively collaborate with the Committee in this matter and make earnest efforts to establish the use of these oils for production of fatty acids.

(ii)

- (7) The Ahmedabad Textile Industry's Research Association should examine the question of specifications of stearic acid required by the textile industry with special reference to the requirements of the export trade.
- (8) Manufacturers of derivatives of stearic and oleic acids should take necessary steps to standardise their processes of manufacture so as to produce materials which would satisfy the requirements of the consuming industries.
2. Government accept recommendation (1) and will take suitable steps to implement it in due course.
3. Government have taken note of recommendations (2) to (6) and suitable steps will be taken to implement them as far as possible.
4. Regarding recommendation (7), the matter will be taken up with the Ahmedabad Textile Industry's Research Association.
5. The attention of the industry is invited to recommendations (6) and (8).

ORDER

ORDERED that the Resolution be published in the Gazette of India and a copy of it be communicated to all concerned.

S. RANGANATHAN,
Secretary to the Government of India.

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REPORT ON THE CONTINUANCE OF PROTECTION TO THE STEARIC ACID AND OLEIC ACID INDUSTRY

1. The stearic acid and oleic acid industry was the subject of three inquiries till now. As a result of the first inquiry by the Tariff Board in 1947 the existing revenue duty of 30 per cent. *ad valorem* was converted into a protective duty at the same rate. The second inquiry by the Tariff Board in 1950 led to continuation of the protective duty at the same rate which was raised subsequently by the Finance Act of 1951 to 31½ per cent. by a surcharge. In the third report on this industry in 1954 the Tariff Commission recommended extension of protection to derivatives of stearic and oleic acids which was agreed to by Government. Protection to the industry was continued for a period of 3 years ending 31st December, 1957. As regards the quantum of protection, it was decided with the concurrence of the Commission that the protective duty on stearic acid and oleic acid and their derivatives should be fixed at a uniform rate of 31½ per cent. *ad valorem* or 8 annas per lb. whichever was higher. The Finance Act of 1957 has enhanced the rate of duty on these articles to 35 per cent. *ad valorem* or 50 nP. whichever is higher.

2. Protection granted to the stearic acid and oleic acid industry is scheduled to lapse on 31st December, 1957. The present inquiry has, therefore, been undertaken by the Commission under Section 11(e) read with Section 13 of the Tariff Commission Act, 1951 which empowers the Commission to inquire into and report on any further action required in relation to the protection granted to an industry with a view to its increase, decrease, modification or abolition according to the circumstances of the case.

3.1. On 6th May, 1957 questionnaires were issued to producers, importers and consumers of stearic and oleic acids and their derivatives. A press note was issued on 7th May, 1957 inviting producers, importers and consumers and their associations to obtain the relevant questionnaires from the Secretary to the Commission and furnish replies thereto. Letters were issued to suppliers of raw materials like tallow and hardened vegetable oils to obtain from them information regarding their supply position and prices. A list of producers, importers, consumers and associations to whom the Commission's questionnaires were issued and from whom replies were received is given in Appendix I. The Chief Industrial Adviser, Ministry of Commerce and Industry. Development Wing was requested to furnish a detailed memorandum on the present position of the industry. The Directors of Industries in the States of Bombay, West Bengal and U.P. were addressed for information on the present position of the industry in their respective States. The Textile Commissioner, Bombay was addressed to furnish information regarding the requirements of stearic and oleic acids and their derivatives in the textile industry as well as his views regarding the quality of the indigenous product. Information regarding c.i.f. prices and

landed costs of stearic and oleic acids was sought from the Collectors of Customs, Bombay, Calcutta and Madras. The Indian Government's Trade Representatives in the U.K., U.S.A., Australia, Switzerland and the Netherlands were requested to furnish data regarding the current prices of the main raw materials required for this industry as well as the prices of stearic and oleic acids in the domestic and export markets.

3.2. Shri K. R. Damle, Chairman, Dr. S. K. Muranjan and Shri R. S. Bhatt, Members, visited the factory of Godrej Soaps Private Ltd., Bombay on 2nd August, 1957. Shri S. S. Mehta, Technical Director (Chemicals) visited the same factory on 19th July, 1957. Shri U. R. Padmanabhan, Assistant Cost Accounts Officer examined the costs of production of stearic and oleic acids at Navsari Oil Products Private Ltd. Navsari and Godrej Soaps Private Ltd., Bombay during the first half of July, 1957.

3.3. A public inquiry was held in Bombay on 8th August, 1957. A list of persons who attended the public inquiry and gave evidence is given in Appendix II.

4.1. The scope of the inquiry is restricted to stearic acid and oleic acid and their derivatives which are covered under tariff item No. 28(20) in the Indian Customs Tariff Schedule and described as follows:--

Item No.

Name of article

28 (20) (a) Acid oleic or any product containing 70 per cent. or more of free liquid fatty acids.

(b) Any product manufactured from (a) and containing 70 per cent. or more of combined liquid fatty acids.

(c) Acid stearic or any product containing 70 per cent. or more of free solid fatty acids.

(d) Any product manufactured from (c) and containing 70 per cent. or more of combined solid fatty acids.

(e) Mixture of (a) and (c) above containing 70 per cent. or more of free fatty acids.

4.2. In the course of the public inquiry the industry represented that the scope of the inquiry should be extended to cover mixed fatty acids derived from different oils and fats because their production is allied to that of stearic and oleic acids and also because they could be produced within the country. The industry also had an apprehension that stearic and oleic acids were being imported in the guise of mixed fatty acids. The representative of Tata Oil Mills Ltd., Bombay, however, informed us that mixed fatty acids derived from different fatty materials are required to be imported as a cheap substitute to oils for use in the soap industry and that an extension of protection to such acids would, therefore, have adverse

effects on that industry. It may be stated in this connection that Navsari Oil Products made a representation to the Ministry of Commerce & Industry, Government of India in 1951 regarding the extension of the scope of this inquiry and the Ministry then reached the decision that the question of protection to fatty acids other than stearic and oleic acids would be referred to the Tariff Board only when Government were satisfied that a *prima facie* case for such a reference was made out by the Industry. It was pointed out to the industry that in the absence of such a reference, the Commission was unable to widen the scope so as to cover other fatty acids.

5. The ancillary recommendations made by the Tariff Commission in its last report in 1954 and the extent to which they have been implemented are given below :—

Implementation of the recommendations made by the Commission in its last report (1954)

5.1. "Government should review the working of the import control policy in regard to stearic acid and stearine in the light of the observations contained in paragraph 13 of the report".

The Commission had made the recommendation in the light of available data which led to the conclusion that imports in greater volume than intended had been received due to several reasons such as (a) the fall in the price of the acids, (b) imports by actual users in excess of their actual requirements, and (c) imports of stearic acid in the guise of "Stearine". We are now informed that the Development Wing in its scrutiny of applications makes due allowance for any fall in prices or excessive claims of actual users. Import of stearic acid in the guise of "Stearine" is no longer possible, as the latter is now clearly defined as "glyceride of stearic acid" both in the Indian Customs Tariff Schedule and for the purpose of Import Trade Control.

5.2. "As the cosmetic industry has been granted a special concession in regard to imports of stearic acid, applications for import licences from that industry should be scrutinised on the basis of the consumption certificates issued by the Directors of Industries. The simplified procedure described in paragraph 37 of the "Import Control Policy" (Red Book) for July-December, 1954 should not be made applicable to stearic acid".

The practice of granting import licences to actual users of stearic acid without consumption certificates has been discontinued and applications for import licences are carefully scrutinised by the Development Wing in the light of certificates issued by the Directors of Industries.

5.3. "If manufacturers of greases in India find it necessary to charge reasonably higher prices for greases supplied to Government on account of the higher cost of the stearic acid, they should be allowed to do so after necessary investigation into their cost of production. Government's store purchase policy provides for a price preference in favour of indigenously produced articles and in accordance with this policy, Government along with private consumers, should be prepared to pay reasonably higher prices for greases manufactured with indigenous stearic acid as compared with imported greases."

The producers of greases have been using indigenous stearic acid and they have not found it necessary to claim any price preference on that ground.

5.4. "The problem of laying down standard specifications for stearic acid and oleic acid is difficult as different consumers require material varying substantially in specifications. Further commercial stearic acid and commercial oleic acid are mixtures of fatty acids produced from various materials by different processes resulting in the composition of the products not being uniform. The Indian Standards Institution should examine the possibility of formulating standard specifications for these acids in consultation with the representatives of manufacturers and the consuming interests."

We are informed by the Indian Standards Institution that it has formulated draft standard specifications for stearic acid and oleic acid of different grades meant for diverse uses.

5.5.1. "Manufacturers of stearic acid should make further efforts to improve the quality of their product."

5.5.2. "Manufacturers of stearic acid and oleic acid and consumers of these fatty acids should exchange information with each other regarding the exact specifications of the grades required by the consuming industry and the grades which manufacturers are in a position to produce on a commercial scale."

From the evidence before us, we find that there has been satisfactory exchange of information between manufacturers and consumers of these acids in regard to the exact specifications of various grades of the acids. With the exception of the cosmetics industry and one or two consuming units, the requirements of all others in regard to their specifications appear to have been met by the industry. This matter is further discussed in paragraph 10.

5.6. "Manufacturers of stearic acid should examine the possibility of obtaining supplies of low grade tallow from Australia in place of the first grade technical tallow used at present".

The industry has not used low grade tallow as it is not found to be cheaper than high grade tallow as duty has to be paid on imports of low grade tallow which does not conform to certain specifications laid down by the Central Board of Revenue whereas high grade tallow is allowed to be imported free of duty. This matter is further discussed under paragraph 9.

6. There were six units in production at the time of the last inquiry of which one, namely Amrut Oil Mills Ltd., Bombay is no longer in production leaving only five units in the field. We are informed by the Director of Industries, West Bengal that one more firm, Swaika Vanaspati Products Ltd., Calcutta, which is not on the list of the Development Wing is also engaged in the production of these acids. The industry has emerged well from its preliminary struggles and has been aided materially in its progress by the expansion of industries like rubber, grease, etc., which are the main consumers of its products. The industry has met the

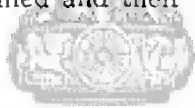
Present position of the industry

bulk of the increased demand by stepping up its production which has more than doubled since the last inquiry. We are informed that most of the units in the industry have plans for expansion, modernisation and diversification of production. Navsari Oil Products is setting up an up-to-date high pressure fat splitting plant with a capacity of about 15 tons per day at an expenditure of about Rs. 9 lakhs. Some of the machinery has already been received by the Company and the plant is expected to be put into operation early next year. Modi Vanaspathi Manufacturing Co., Ltd., has obtained a licence for setting up a fatty acid distillation plant with a capacity of 1,500 tons of fatty acids per annum. Calcutta Chemicals and Godrej Soaps are also planning to set up distillation units for production of fatty acids of superior quality. In addition to the above, we understand from the Development Wing that the Tata Oil Mills Co., Ltd., Bombay has a scheme for putting up a fat splitting and fatty acid distillation plant with a capacity of 20 tons per day.

7.1. The assessment of capacity of units in this industry presents a special difficulty. Those units which employ

Rated capacity and production

the saponification process can commission their soap making capacity for manufacture of these acids. Other units which employ the low pressure or high pressure splitting process can allocate, as desired, their capacity to the manufacture of either stearic and oleic acids or other fatty acids. We have ascertained from the producers their intentions regarding allocations of capacity and the table below gives their capacity as so ascertained and their actual production in the specified years:



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Statement showing annual rated capacity and actual production of Stearic and Oleic Acids of different units during the years 1954 to 1956 and January-April, 1957.

| Sl. No. | Name of Unit | STEARIC ACID | | | | OLEIC ACID | | | |
|---------|-----------------------------------|------------------------------|-------------------|---------|------------------|------------------------------|-------------------|--------|------------------|
| | | Annual rated capacity (Tons) | Production (Tons) | | | Annual rated capacity (Tons) | Production (Tons) | | |
| | | | 1954 | 1955 | 1956 | | 1954 | 1955 | 1956 |
| | | | | | 1957 (Jan-April) | | | | 1957 (Jan-April) |
| 1. | Godrej Soaps Private Ltd. | 1800 | 126.70 | 455.73 | 532.87 | 230 | Nil | 1.42 | 6.65 |
| 2. | Modi Vanaspathi Manufacturing Co. | 600 | 89.58 | 100.00 | 78.45 | 300 | Nil | Nil | Nil |
| 3. | Calcutta Chemical Company | 420 | 90.00 | 327.90 | 215.40 | 300 | 28.10 | 121.90 | 83.50 |
| 4. | Narsari Oil Products | 600 | 249.80 | 443.75 | 414.15 | 240 | 65.45 | 50.95 | 100.25 |
| 5. | Swastik Oil Mills | 150 | 6.30 | 7.00 | 36.50 | 50 | 9.90 | 6.30 | 13.70 |
| | Total | 3570 | 562.44 | 1334.38 | 1277.37 | 1140 | 103.45 | 180.57 | 204.10 |

NOTE.—The Director of Industries, West Bengal has reported that Swatika Vanaspathi Products Company Limited, Calcutta, which is not registered on the list of the Development Wing has a single shift capacity to produce 250 tons of stearic acid and 50 tons of oleic acid. The actual production of stearic acid has been reported to be 75 tons in 1954, 15 tons in 1955, 60 tons in 1956 and 15 tons in 1957 (January-April). The production of oleic acid is reported to be 25 tons in 1954, 5 tons in 1955, 15 tons in 1956 and 5 tons in 1957 (January-April).

7.2 The aggregate capacity of the industry is already greater than the requirements of these acids in the country as estimated by us in paragraph 8. When the schemes already under implementation are completed there will be substantial increase in capacity which will be much in excess of the estimated future demand. The field of fatty acids and their derivatives is a wide one and it is to be hoped that efforts will be made towards greater diversification and competition within the industry will not be intensified by the entry of new units, for at present the demand for stearic and oleic acids in the country is relatively restricted. Enlightened self-interest of the industry should in the ordinary course prevent any tendency to uneconomic competition, but we are bringing the matter to the notice of Government so that before sanctioning schemes of expansion of existing capacity or establishment of new units care may be taken to avoid duplication of effort and consequent uneconomic production.

7.3. The production of derivatives is undertaken by Navsari Oil Products and Calcutta Chemicals as well as by manufacturers of fine chemicals, viz., Sanitex Chemical Industries Ltd., Baroda and Calcutta Industrial, Chemicals and Minerals Co., Ltd., Calcutta. The important derivatives produced are aluminium stearate, zinc stearate, magnesium stearate and calcium stearate. The aggregate capacity of the industry is estimated to be about 175 tons per annum whereas the actual production was 4 tons in 1954, 88 tons in 1955 and 92 tons in 1956 and 33 tons during the period January-April 1957.

8.1. At the time of the last inquiry in 1954 the Commission estimated the current annual consumption of stearic acid at 750 tons excluding the quantity required for the manufacture of stearates and observed that the demand could be expected to rise by about 50 tons during the next 3 years. The current consumption of oleic acid was estimated at 140 tons including the quantity required for the production of oleates. The Commission did not assess the probable increase in future demand for oleic acid.

Domestic demand

8.2. In the course of our present inquiry we have received several estimates of demand for stearic and oleic acids with the breakdown according to the requirements of various consuming industries as shown in the following table.

Statement showing the Estimates of Current Requirements and the Demand in 1960 furnished by the Development wing and Producers

1957 1960

Development Wing
Navsari Oil Products
Calcutta Chemicals
Indian Chemicals Mfrs. Assn.
Development Wing
Navsari Oil Products
Remarks

I—STEARIC ACID

| | | | | | | | | | | | |
|------------------|---|---|---|---|---|-----|-----|---------|-----|------|-----|
| 1. Rubber | . | . | . | . | . | 800 | 500 | 400/500 | 500 | 1500 | 800 |
| 2. Grease | . | . | . | . | . | 300 | 250 | 150/200 | 200 | 500 | 400 |
| 3. Textiles | . | . | . | . | . | 150 | 200 | 100/150 | 125 | 300 | 400 |
| 4. Cosmetics | . | . | . | . | . | 100 | 75 | 125/150 | 150 | 200 | 90 |
| 5. Stearates | . | . | . | . | . | .. | 60 | .. | 100 | .. | 200 |
| 6. Miscellaneous | . | . | . | . | . | 150 | 75 | 100/125 | 50 | 300 | 300 |

Total 1500 1160 875/1125 1125 2800 2190

II.—OLEIC ACID

| | | | | | | | | | | |
|--|---|---|---|---|---|----|-----|-------|-----|-----|
| 1. Lubricant | . | . | . | . | . | 60 | 150 | 20/35 | 150 | 240 |
| 2. Carbon paper and duplicating stencils | . | . | . | . | . | 30 | 50 | 25/30 | 75 | 80 |
| 3. Paints | . | . | . | . | . | 30 | 20 | .. | 75 | 30 |

8.3. It will be observed from the following statement showing the production and imports of stearic and oleic acids during the years 1954 to 1956 that there has been a marked increase in the consumption of these acids.

| Year | Production (Tons) | Imports (Tons) | Total (Tons) |
|---------------------|----------------------|-------------------|-----------------|
| <i>Stearic Acid</i> | | | |
| 1954 | 562.44 | 155.75 | 718.19 |
| 1955 | 1334.38 | 92.25 | 1426.63 |
| 1956 | 1277.37 | 264.45 | 1541.82 |
| <i>Oleic Acid</i> | | | |
| 1954 | 103.45 | 19.55 | 123.00 |
| 1955 | 180.57 | 13.15 | 193.72 |
| 1956 | 204.10 | 2.75 | 206.85 |

8.4. We discussed the estimates of demand received by us at the public inquiry and in the light of trends of production and imports of the two acids, we estimate the current demand for stearic acid at 1,600 tons and that for oleic acid at 240 tons. The requirements of each consuming industry were discussed and the estimates formulated after giving due consideration to the views expressed at the public inquiry by the representatives of the Textile Commissioner, the Association of Rubber Manufacturers in India, the Standard Vacuum Oil Company and other consuming industries. We observe that there has been a substantial increase in the consumption during the last three years which was much above what the Commission had estimated at the time of the last inquiry. The consumption has almost doubled in the course of three years and this trend may be expected to continue in the foreseeable future. After discussing the future requirements under each head it was agreed that the consumption in 1960 may be estimated at 2,700 tons of stearic acid and 425 tons of oleic acid. The details of the estimates are given below :

| <i>Stearic Acid</i> | | | <i>Oleic Acid</i> | | |
|------------------------------------|------|------|---|------|------|
| | 1957 | 1960 | | 1957 | 1960 |
| Rubber | 600 | 1200 | Lubricants | 100 | 125 |
| Grease | 450 | 600 | Carbon papers and duplicating stencils. | 30 | 75 |
| Textiles | 200 | 300 | Paints | 30 | 75 |
| Cosmetics | 150 | 300 | Government Cement Miscellaneous | 80 | 150 |
| Miscellaneous including stearates. | 200 | 300 | | | |
| | 1600 | 2700 | | 240 | 425 |

9.1. The principal raw materials required for the manufacture of stearic and oleic acids are animal and vegetable fats. One or more varieties of fats are used depending upon such factors as (a) availability, (b) price, (c) processing equipment available at

Raw materials

the factory, (d) required specifications of the resulting products, and (e) saleability of the joint product, if any. Tallow is used for the manufacture of stearic acid and oleic acid whereas super-hardened palm oil and ground nut oil are used for the manufacture of stearic acid. Small quantities of super-hardened linseed oil and cotton seed oil are also used and it is possible to employ other hardened oils such as mowra oil and neem seed oil. Oleic acid is largely derived as a joint product when using tallow but it is also produced from ground nut oil, cotton seed oil, mustard oil and tea seed oil.

9.2.1. The industry continues to import its principal raw materials, viz., tallow and palm oil. The only indigenous material employed on a large scale is ground nut oil much of which is used after super-hardening for making stearic acid and the rest, in its original form, for making oleic acid. Being an edible oil it is easily available but its price has a tendency to fluctuate and is generally higher than that of non-edible oils. The future prospects of the industry are, therefore, linked with the development of other oils such as cotton seed oil, mowra oil, neem oil, linseed oil, etc. The manufacturers complained about the insufficiency and uncertainty of supplies of these oils, but we are not satisfied that positive efforts have been made by them to improve the position. A change over from edible oils like groundnut oil to suitable oils like cotton seed oil and mowra oil—we are leaving out neem oil and linseed oil as there may be objections to the former which requires to be deodorised and the latter which requires to be decoloured—and the replacement of an imported material like tallow by indigenous vegetable fatty oils, should be made within the quickest possible time in the interest of national economy. We, therefore, recommend that the question of greater exploitation of oil seeds like cotton seed and mowra seed for extraction of oils to be hardened and used for producing fatty acids should engage the attention of the Indian Central Oil Seeds Committee whose activities embrace such projects. We also recommend that the industry should actively collaborate with the above committee in the matter, and make earnest efforts to establish as soon as possible the use of these oils for production of fatty acids. We were informed at the public inquiry that the Navsari Oil Products has obtained a licence for installing a hydrogenation plant with a capacity of 3,000 tons per annum which it proposes to use for the hydrogenation of non-edible oils. It may be added in this connection that Government have recently removed the excise duty on cotton seed oil which should result in its price being lowered to such an extent as to offer an incentive to the producers to employ it for the production of these acids.

9.2.2. The production of vanaspati which includes hardened oils from edible as well as non-edible oils is under the control of the Directorate of Sugar and Vanaspati under the Ministry of Food and Agriculture. The industry complained that it experiences difficulties in obtaining regular supplies of hardened oils due to delays

on the part of the controlling authorities in granting the necessary permission to the units that are prepared to undertake hydrogenation. We suggest that the Directorate of Sugar and Vanaspati should deal expeditiously with such applications in future. •

9.2.3. In the course of the inquiry we were informed of some stray private attempts to grow red palm trees from which palm oil is obtained. These attempts were reported to be successful and we recommend that Government should explore the possibilities of cultivation of red palm trees as a source of palm oil which in addition to its use in the production of stearic acid finds an important application in the soap industry.

9.3.1. Only Navsari Oil Products and Calcutta Chemicals use animal tallow for the production of stearic and oleic acids. Other manufacturers do not use it because they do not have the equipment for processing animal tallow or because of the prejudice against use of an animal product specially if the unit is also engaged in the manufacture of soap and vanaspati from vegetable oils. Moreover, they have economic reasons such as, the difficulty in the disposal of oleic acid which is produced as a joint product for which there is only a limited demand, and the wide fluctuations in the price of animal tallow. So far as the problem of the disposal of the oleic acid is concerned, it may be possible to resolve it if animal tallow is hardened before use. By hardening the tallow almost all the fatty acids contained in it are converted into solid fatty acids. When hardened tallow is used as a raw material it yields only solid fatty acids and no oleic acid is produced as joint product. As far as fluctuations in price are concerned, we are informed that imports of tallow are restricted and that the prices have a tendency to fluctuate according to the supply position. Apart from its use in the manufacture of stearic acid and oleic acid, tallow finds use in several other industries of which the textile industry is the largest consumer. It is in the interest of the country that consuming industries should not continue to depend on imports of this material and that all available sources of tallow within the country are fully exploited. The production of mutton tallow in the country is understood to be substantial and it is likely that lack of organisation in the meat trade is the main obstacle to the development of indigenous tallow resources. We, therefore, recommend that Government should explore the matter and take the necessary steps to develop domestic sources of supply of mutton tallow.

9.3.2. We recommended in our last report that manufacturers of stearic acid should examine the possibilities of obtaining supplies of low grade tallow from Australia in place of the first grade technical tallow. We were informed at the public inquiry that the industry had not found it cheaper to use low grade tallow because of the incidence of duty leviable on its imports. High grade technical tallow which is required by the textile industry is allowed to be imported free of duty and the concession is restricted only to a high grade material which conforms to certain technical specifications laid down by the Central Board of Revenue. Low grade tallow does not generally conform to these specifications and becomes assessable to duty at the rate of 35 per cent. *ad valorem*. The industry represented to

us that it would find it cheaper to use low grade tallow only if the concession granted to high grade tallow were extended to the low grade material. The industry has been enjoying an advantage in regard to duty-free imports of high grade tallow because of a concession granted for the benefit of the textile industry. It was also mentioned at the public inquiry by the representative of the Textile Commissioner that it was not considered advisable to permit duty free imports of low grade tallow as the material was likely to be used for undesirable purposes like adulteration of edible products. We appreciate that for conserving foreign exchange it would be better to import a cheaper material (which would satisfy the requirements of the industry) instead of a more expensive product, but in the face of the objection raised above we are unable to recommend that imports of low grade tallow should also be permitted duty free. Further, we have emphasised in the above sub-paragraphs that the industry should make efforts to use raw materials available in the country and we are not in favour of a concession which will perpetuate the use of an imported material. We were also informed at the public inquiry by the representative of the Textile Commissioner that the policy of Government, when dealing with applications for import of tallow, was to encourage the progressive replacement of foreign tallow by alternative indigenous materials.

10.1 There is general satisfaction with the progress made in the improvement of quality of stearic and oleic acids. Producers of tyres and tubes and other rubber goods and manufacturers of greases have expressed satisfaction with the quality of the product. The Development Wing appears to have received some complaints about the crystalline structure of stearic acid and the presence of unsaturated acids which would lead to its deterioration and yellowing of final products in the processing of which the acid has been used. The Textile Commissioner has stated that the quality of the stearic acid is generally satisfactory and this has been confirmed by two of the well-known textile mills in the country, viz., Buckingham and Carnatic Mills Ltd., and Standard Mills Ltd. We are informed by the Textile Commissioner, however, that some of the textile mills had asked for imports of high grade stearic acid on the plea that the finished cloth acquired a yellow tinge on storage due to the inferior quality of the indigenous stearic acid and that such deterioration would seriously affect their export trade. We find that so far as the crystalline structure is concerned, the industry cannot yet produce an article which can compare with the imported material. The crystalline structure, however, is not of importance to consuming industries other than the cosmetics industry. As regards the presence of unsaturated acids, conflicting views were expressed by different parties. Producers claimed that their high grade stearic acid contained unsaturated acids to the same extent as in the imported high grade product and suggested that the complaints may have arisen because of some of the consumers having employed stearic acid of a lower grade for a purpose for which they should have used a better grade material. The representative of the Standard Mills Ltd., stated that it was doubtful whether the yellowing of textiles could be traced specifically to the stearic acid as it could occur also due to other reasons. This is a matter which can be resolved only by a technical investigation and we recommend

Quality of the indigenous products

that the Ahmedabad Textile Industry's Research Association should examine the question of specifications of stearic acid required by the textile industry with special reference to the requirements of the export trade.

10.2. The more specific complaints against stearic acid emanate from the cosmetics industry which requires a high grade product with certain rigid specifications in regard to colour, odour, texture and iodine value. The grade in question is being manufactured by Navsari Oil Products and Calcutta Chemicals in small quantities with consequent relatively high prices. This grade is expected to be produced on a commercial scale when the Navsari Oil Products brings into commission its new plant which includes equipment for the distillation of fatty acids. Till such time as the production of stearic acid of the grade required by the cosmetics industry is not established in the country, the requirements of this industry will have to be met by imports.

The establishment of the distillation unit for fatty acids at Navsari Oil Products, in addition to producing the high grade stearic acid for the cosmetics industry, will also result in the improvement of the quality of all the other grades in general. There is full awareness on the part of the manufacturers in this regard and the Modi Vanaspati Manufacturing Co. has also obtained a licence for a distillation unit although it has not yet imported the necessary equipment. We understand that some other manufacturers also have plans for installing necessary equipment for distillation of fatty acids and thereby improving the standard of quality of their products. We recommend that such schemes for modernisation should be considered sympathetically by Government and all necessary assistance granted to the industry.

10.3. As regards oleic acid the quality is generally deemed satisfactory. Standard Vacuum Oil Co., which complained previously about pour point and colour of the product now reports definite improvement. Gestetner Duplicators Private Ltd., also reports general improvement in the quality though the colour and acid value are still not all that is to be desired.

10.4. As regards derivatives of these acids, Guest, Keen, Williams Ltd., Calcutta who use aluminium stearate and calcium stearate have complained that the standard of the indigenous products is not satisfactory. Balmer Lawrie & Co. Ltd., Bombay & Calcutta who consume aluminium stearate have also complained that the quality of the indigenous product is poor, particularly in respect of gelling strength. We have brought these complaints to the notice of the manufacturers and we recommend that they should take necessary steps to standardise their processes of manufacture so as to produce materials which would satisfy the requirements of the consuming industries.

11.1. *Import Control Policy.*—Stearic acid and oleic acid fall under item No. 31, Part V of the Import Trade Control Schedule. Imports of these items have been banned for established importers since the licensing period July-December, 1953 up to the present period. Actual users' licences were, however, granted on

**Import control
policy and imports**

an *ad hoc* basis in consultation with the Development Wing. The details of the import control policy during each period since July-December, 1953 are given in Appendix III.

11.2. *Imports*.—Imports of stearic acid and oleic acid were not recorded separately in the Accounts Relating to the Foreign Trade and Navigation of India till December, 1956. The Director General of Commercial Intelligence and Statistics, Calcutta, however, furnished the Commission with statistics of imports which are given in the form of a statement in Appendix IV. It is observed that imports of oleic acid showed a steady downward trend from 19.55 tons in 1954 to 13.15 tons in 1955 and 2.75 tons in 1956. The import policy relating to oleic acid would, therefore, appear to be working satisfactorily. In the case of stearic acid, imports decreased from 155.75 tons in 1954 to 92.25 tons in 1955 and again rose to 264.45 tons in 1956. The industry represented to us during the course of the inquiry that the increasing trend in imports of stearic acid was an indication of the tendency on the part of certain consumers to prefer imported products even at a higher cost. The evidence placed before us showed that although the bulk of the quantity imported under actual users' licences is consumed for certain specific uses where material of superior quality is required, some of it finds its way into the open market where it fetches an exorbitant price. The industry contends that in these circumstances its future position would not be safeguarded by protective tariffs alone and that imports should be controlled more rigidly. While admitting that the fear expressed by the industry in relation to certain specific uses of stearic acid is not ill-founded, we regret we cannot recommend a total ban on imports both in the interests of quality and of certain specific consumers such as the cosmetics industry. We, however, recommend that the licences allowed to actual users should be reduced to the minimum. Utmost scrutiny should be exercised in regard to the needs of the cosmetics industry and the position reviewed in the light of progress made by the stearic acid industry in establishing the commercial production of the grade of acid required by the cosmetics industry. If it is found at all necessary to license any quantity for the textile industry because of its demand for high grade acid required for its export trade the quantity licensed should be carefully related to the exports of cloth and the position reviewed in the light of the technical investigation by the Ahmedabad Textile Research Industry's Association recommended by us in paragraph 10.1 above

12. Stearic acid and oleic acid and their derivatives are assessed to duty under Item No. 28 (20) of the First Schedule to the Indian Tariff Act, 1934. The relevant extract from the Forty-first issue of the Indian Customs Tariff Schedule is given on the

Existing rates of duty

next page.

| Item No. | Name of Article | Nature of duty | Standard rate of duty | Preferential rate of duty if the article is the produce or manufacture of | | Duration of protective rates of duty |
|----------|--|----------------|---|---|---------------------------------|--------------------------------------|
| | | | | The U.K. | A British colony | |
| 28(20) | (a) Acid Oleic or any product containing 70 per cent or more of free liquid fatty acids. | Protective | *31½ per cent <i>ad valorem</i> or 8 annas per lb. whichever is higher. | .. | 10 per cent <i>ad valorem</i> . | December, 31st 1957. |
| | (b) Any product manufactured from (a) and containing 70 per cent or more of combined liquid fatty acids. | Do. | *Do. | .. | Do. | Do. |
| | (c) Acid Stearic or any product containing 70 per cent or more of free solid fatty acids. | Do. | *Do. | .. | Do. | Do. |
| | (d) Any product manufactured from (c) and containing 70 per cent or more of combined solid fatty acids. | Do. | *Do. | .. | Do. | Do. |
| | (e) Mixture of (a) and (c) above containing 70 per cent or more of free fatty acids. | Do. | *Do. | .. | Do. | Do. |

*NOTE.—Under the provisions of the Finance Act of 1957 the protective rates of duties on Item No. 28(20) have been raised with effect from 16th May, 1957, to 35 per cent *ad valorem* or 50 nP. per lb, whichever is higher.

13.1. Our Cost Accounts Officer examined the costs of production of stearic and oleic acids produced by Navsari Oil Products, Navsari and Godrej Soaps Ltd., Bombay. Details of the cost data collected from the two firms are given in the Cost Report which is being forwarded to Government as a separate confidential enclosure to this Report. At the time of the previous inquiries Navsari Oil Products was considered as the representative unit for the purposes of ascertaining the quantum of protection required by the industry. On this occasion also we propose to base our computations on the cost of production in that unit because it is engaged mainly in the production of stearic and oleic acids and their derivatives and it is, therefore, possible to make an accurate estimate of the cost of production of the acids. During the present investigation we examined the costs of production at Godrej Soaps Ltd., also, but we have not taken them into consideration for arriving at the quantum of protection because of the following reasons. Godrej Soaps Ltd. is engaged in the production of soaps and allied products and its production of fatty acids is meant to be used for consumption in its soap factory and for sales outside. Production of stearic and oleic acids forms a comparatively small proportion of the firm's total activity. Any estimate of cost based on its actual working is bound to involve several assumptions regarding allocation of expenses between its different activities. Moreover, this unit has not produced oleic acid on a regular commercial scale.

13.2. Navsari Oil Products is expected to put into commission in the near future its new plant with a capacity to process about 15 tons of fatty material per day. This plant will operate on the high pressure splitting process and the fatty acids obtained will undergo the additional process of distillation. We worked out the estimates of future costs of production in the new plant based on certain assumptions made in consultation with the representatives of the firm. We assumed a future production at a conservative figure of 1500 tons of fatty acids per annum against a capacity of about 4000 tons as the market for fatty acids (other than stearic and oleic acids) is not yet well established and the Company has to create a demand for the products. Other assumptions were in regard to the yield of fatty acids and glycerine in the new plant and economics resulting from increased efficiency of a modern large scale plant on the one hand and the extra expenditure due to the additional process of distillation on the other. The estimates of cost of production arrived at on these assumptions did not vary materially from the estimates of cost based on the actual working of the existing plant. We have, therefore decided to take, for the purpose of assessing the quantum of protection, the actual costs of Navsari Oil Products during the latest period for which costs have been estimated rather than the estimates for the future which involve several assumptions relating to the working of the new plant.

13.3. The following statement gives the break-up under broad headings of the costs of production of stearic and oleic acids at

Navsari Oil Products which we have adopted for determining the quantum of protection:--

| | (Rs. per cwt.) | |
|--|----------------|--------------|
| | Stearic Acid | Oleic Acid |
| Raw material cost | 94.03 | 82.29 |
| Conversion charges | 15.02 | 15.02 |
| Packing cost | 1.68 | 4.55 |
| | <hr/> 110.73 | <hr/> 101.86 |
| Less Credit for material recovered | 12.26 | 12.26 |
| Cost of production | <hr/> 98.47 | <hr/> 89.60 |
| Interest on working capital | 1.79 | 1.63 |
| Return on block | 1.75 | 1.75 |
| Fair ex-works price | <hr/> 102.01 | <hr/> 92.98 |

The above costs are based on the working of the factory during the half year ended 31st January, 1957. The production during this period was 4018.3 cwt. of stearic acid and 907.7 cwt. of oleic acid. As the prices of tallow and oils had shown an increasing trend during the period, we have worked out the cost of raw materials at the following rates at which the Company purchased its latest consignments.

| | Price (Rs. per cwt.) |
|----------------------------------|-------------------------|
| Hardened Vegetable Oil | 93.25 |
| Tallow | 64.00 |
| Other Vegetable Oils | 85.25 |

The yield of glycerine during the period was 6.18% on the soil in-pu and credit has been allowed for this quantity at the rate of Rs. 180/- per cwt. of glycerine which is the latest price realised by the Company. Depreciation is calculated at the income-tax rates on the written down value of the assets as usual. Interest on working capital has been provided at 5½% on an amount equivalent to 4 months' cost of production and return at 10% on the original value of the fixed assets.

13.4. Navsari Oil Products pleaded that some allowance for contingency was essential as a safeguard against any adverse fluctuations in the level of production or in the level of prices of raw materials assumed for the purpose of calculations. A margin of Rs. 7 per cwt. is allowed for this purpose.

13.5. A differential of Rs. 1.75 per cwt. towards railway freight to consuming centres has also been allowed as in the previous inquiry.

13.6. The fair ex-works price of stearic acid and oleic acid inclusive of freight differential and margin for contingency works out to Rs. 110.76 per cwt. of stearic acid and Rs. 101.73 per cwt. of oleic acid or 99 nP. per lb. and 91 nP. per lb. respectively.

14. We have obtained information regarding c.i.f. prices and landed costs of stearic and oleic acids from the Collectors of Customs at various ports, importers and consumers. We have also received quotations of c.i.f. prices from Indian Trade Representatives in the U.K., the Netherlands and Australia. A statement containing this information is given in Appendix V. After discussing the available information at the public inquiry, it was agreed that the following latest c.i.f. prices received from the Indian Trade Representative in the U.K. as quoted by M/s. Price's (Bromborough) Ltd., should be taken as representative :—

| | Rs. per lb. |
|--------------------------|-------------|
| <i>Stearic Acid:—</i> | |
| Single Pressed | 0.74 |
| Double Pressed | 0.80 |
| Triple Pressed | 0.86 |
| <i>Oleic Acid:—</i> | |
| Pale | 0.86 |
| Brown | 0.80 |

The actual imports in recent months have been received mostly from the U.K. and the Netherlands. There are no imports from Australia although the quotations of c.i.f. prices obtained by us through the Indian Trade Commissioner in Australia are lower than those from all other sources. We have not been able to ascertain the definite reasons why imports from this source have not taken place in spite of the lower quotations. One of the reasons mentioned was that the Australian triple pressed stearic acid and high grade oleic acid did not compare favourably with similar products from the U.K. and the Netherlands. However, Australia is a primary producer of tallow and is in a position to offer competition to practically all other countries producing stearic and oleic acids, and we, therefore, consider it necessary that the possibilities of imports from Australia must be taken into account while considering the quantum of protective duties. The quotations of c.i.f. prices obtained from the Indian Trade Commissioner in Australia are given below :—

| | Rs. per lb. |
|--------------------------|-------------|
| <i>Stearic Acid:—</i> | |
| Single Pressed | 0.54 |
| Double Pressed | 0.56 |
| Triple Pressed | 0.66 |
| <i>Oleic Acid:—</i> | |
| High Grade | 0.73 |
| Low Grade | 0.68 |

14.1. As import licences for stearic acid are granted only to those consumers who require stearic acid of a specially high grade, the actual imports have been almost exclusively of the high grade triple pressed variety. The actual consumption of stearic acid, however, is not restricted to this grade but is made up of all the different grades of the acid. The fair ex-works price of the acid is also determined for an average quality. We have, therefore, decided to adopt the c.i.f. price of the double pressed stearic acid for the purpose of comparison with the fair ex-works price. In the case of oleic acid, the bulk of the production is of the lower grade and therefore, we have decided to adopt the c.i.f. price of the lower grade of that acid.

15. The following statement shows the comparison between the estimated fair ex-works prices per lb. of indigenous stearic and oleic acids (to which have been added the allowances for freight and contingencies) and the landed costs of the imported products—

| | Stearic Acid | | Oleic Acid | |
|--|---------------------------|--------------------------------|---------------------------|--------------------------------|
| | Against imports from U.K. | Against imports from Australia | Against imports from U.K. | Against imports from Australia |
| | nP. | nP. | nP. | nP. |
| (a) Fair ex-works price plus allowance per lb. | 99 | 99 | 91 | 91 |
| (b) C.i.f. price of the imported product | 80 | 56 | 80 | 68 |
| (c) Clearing charges | 2 | 2 | 2 | 2 |
| (d) Landed cost without duty | 82 | 58 | 82 | 70 |
| (e) Excess of (a) over (d). | 17 | 41 | 9 | 21 |
| (f) The above excess (e) as a percentage of c.i.f. (b) | 21.2% | 73.2% | 11.2% | 30.9% |

16. The industry has been protected for the last about 10 years. It has made appreciable progress during the three years of protection since the last inquiry when adequate protection was granted to it. Production has more than doubled during this period and the requirements of practically all consuming industries have been met satisfactorily with the exception of the cosmetics industry. We have examined the selling prices charged by the industry and have found that it has maintained reasonable prices for all grades of acids produced on a commercial scale. The industry is at present on the threshold of a significant transition. Schemes are under various stages of implementation to augment production of stearic and oleic acids, to set up modern equipment for improvement of quality and to diversify activities to include production of mixed fatty acids for different uses. It seems to us vital that the

industry should, during this period of consolidation, continue to feel confident in its immediate future such as protection alone can offer.

16.1. Our computations in paragraph 15 above indicate that the industry does not need protection at the existing rates against imports from the U.K. or the Netherlands. However, a comparison with the current quotations of c.i.f. prices from Australia shows that the rates of duty required to equate the fair ex-works price to the landed cost would be 41 nP. or 73.2% in the case of stearic acid and 21 nP. or 30.9% in the case of oleic acid. The duties indicated on the occasion of the last tariff inquiry were Re. 0-8-1 or 118% in the case of stearic acid and Re. 0-2-0 or 17% in the case of oleic acid. The quantum of protection required by the industry would therefore seem to be lower now than on the last occasion. The change in the position, however, is not due to any reduction in the fair ex-works prices of the indigenous products but due to higher quotations of c.i.f. prices received by us through our Trade Representative in Australia. The Commission in its Report in 1954 had commented on the price manipulations in this industry by foreign suppliers and we are of the view that the above quotations of c.i.f. prices in the absence of actual imports should not lead us to reduce the quantum of protection by under-rating the potential danger of competition. We, therefore, recommend that protection to this industry at the existing rates of duty viz., 35% *ad valorem* or 50 nP. per lb, whichever is higher, should be continued for a period of 2 years ending 31st December, 1959.

17. Our conclusions and recommendations are summarised below :—

Summary of conclusions and recommendations.

17.1. The question of greater exploitation of oil seeds like cotton seed and mowra seed for extraction of oils to be hardened and used for producing fatty acids should engage the attention of the Indian Central Oil Seeds Committee. The industry should actively collaborate with the Committee in this matter and make earnest efforts to establish the use of these oils for production of fatty acids.

[Paragraph 9.2.1]

17.2. Government should explore the possibilities of cultivation of red palm trees as a source of palm oil.

[Paragraph 9.2.3.]

17.3. Government should explore the possibilities of fully exploiting the available resources of mutton tallow within the country and take the necessary steps to develop domestic sources of supply.

[Paragraph 9.3.1.]

17.4 The Ahmedabad Textile Industry's Research Association should examine the question of specifications of stearic acid required by the textile industry with special reference to the requirements of the export trade.

[Paragraph 10.1.]

17.5. Government should consider sympathetically schemes proposed by producers for modernisation of their plants to improve the standard of quality of their products.

[Paragraph 10.2.]

17.6. Manufacturers of derivatives of stearic and oleic acids should take necessary steps to standardise their processes of manufacture so as to produce materials which would satisfy the requirements of the consuming industries.

[Paragraph 10.4.]

17.7. Licences allowed to actual users of stearic acid should be reduced to the minimum. Utmost scrutiny should be exercised in regard to the needs of the cosmetics industry and the position reviewed in the light of progress made by the stearic acid industry in establishing the commercial production of the grade of acid required by the cosmetics industry. If it is found at all necessary to license any quantity for the textile industry because of its demand for high grade stearic acid required for its export trade, the quantity licensed should be carefully related to the exports of cloth and the position reviewed in the light of the technical investigation by the Ahmedabad Textile Industry's Research Association.

[Paragraph 11.2.]

17.8 Protection to the stearic acid and oleic acid industry should be continued for a period of 2 years, that is, till 31st December, 1959, at the existing rate of duty, viz., 35 per cent. *ad valorem* or 50 nP. per lb. whichever is higher.

[Paragraph 16.1.]

18. We wish to express our thanks to the representatives of the producers, importers and consumers for furnishing us with valuable information on various aspects of the industry and for giving evidence before us.

Acknowledgements

K. R. DAMLE,
Chairman.

C. RAMASUBBAN,
Member.

S. K. MURANJAN,
Member.

R. S. BHATT,
Member.

RAMA VARMA,
Secretary.

BOMBAY ;

21st September, 1957.

APPENDIX I

(Vide paragraph 3.1)

List of firms or bodies to whom the Commission's questionnaires and letters were issued and from whom replies or memoranda were received

* This mark indicates those who have replied.

A. PRODUCERS OF ACIDS:

- *1. Navsari Oil Products Ltd., Vijalpore Road, Navsari.
- *2. Calcutta Chemical Co. Ltd., 35, Panditia Road, Calcutta.
- *3. Modi Vanaspati Mfg. Co., Modinagar, (Meerut) U.P.
- *4. Godrej Soaps Ltd., 316, Delisle Road, Bombay-11.
- *5. The Swastik Oil Mills Ltd., P.O. Box No. 362, Bombay.
6. Amrut Oil Mills Ltd., Hay Bunder Road, Bombay.
7. Swaika Vanaspati Products Ltd., Calcutta.

B. PRODUCERS OF DERIVATIVES:

- *1. The Sanitex Chemical Industries Ltd., Chemical Industries P.O., Industrial Road, Baroda-3.
2. Pigments, Lakes & Chemicals Mfg. Co. Ltd., 113, Sir Vithaldas Chambers, 16, Apollo Street, Fort Bombay.
3. Calcutta Industrial Chemicals & Minerals Co. Ltd., 43, Dharamtala Street, Calcutta.

C. IMPORTER OF ACIDS:

- *1. Indequip Ltd., Hamam House, Hamam Street, Bombay.
2. P. K. Javeri & Co., 32, Princess Street, Bombay.
3. Das & Co., P.O. Box No. 784, Bombay.
4. Sepulchre Brothers (India) Ltd., Taj Building, 210, Hornby Road, Bombay.
5. Jadhavji Goverdhandas & Co., Princess Street, Bombay.
- *6. The New Standard Chemicals Co. Private Ltd., 281, Samuel Street, Vadgadi, Bombay.
7. Amrutlal Bhurabhai & Co., Anand Bhuvan, Princess Street, Bombay.

Importers of Derivatives:

8. Dura, Commercial Corporation Ltd., 11, Sprott Road, Ballard Estate, Bombay.

D. CONSUMERS OF ACIDS:

(i) Rubber Goods:

- *1. The Dunlop Rubber Co. (India) Ltd., P.O. Box No. 391, Calcutta.
- *2. Firestone Tyre & Rubber Co. of India Ltd., P.O. Box No. 197, Bombay.
- *3. Swastik Rubber Products Ltd., Behind Kirkee Railway Station, Poona-3.
- *4. Bata Shoe Co. Ltd., Batanagar (W. Bengal).
- *5. India Waterproofing & Dyeing Works, 60/2, Dharamtala Street, Calcutta-13.

(i) Plastics :

6. The Industrial Plastics Corporation Ltd., Rajabhadur Mansion, 14, Hamam Street, Bombay.
7. Plastics Products of India Ltd., Satara City.

(iii) *Cosmetics :*

- *8. E. S. Patanwala, Patanwala Building, Cannought Road, Bombay-27.
- *9. Colgate-Palmolive (India) Ltd., Post Box No. 1965, Bombay.
- *10. Himani Ltd., 3, Khelat Babu Lane, Cossapore, Calcutta.
- *11. The Tata Oil Mills Co., Ltd., Bombay House, Bruce Street, Fort, Bombay-1.
- *12. Burroughs Wellcome & Co. (India) Ltd., Cook's Building, Hornby Road, Bombay-1.
- 13. Universal Perfumery Works, 95, Kambekar Street, P.O. Box No. 3170, Bombay-3.
- 14. United Traders, Ltd., Scindia House, Ballard Estate, P.O. Box No. 822, Bombay-1.
- *15. A.V.R.A. & Co., P.O. Box No. 2179, 6, Lohar Chawl, Bombay-2.
- 16. M/s. Manyam & Co., Maleswaram, Bangalore.
- 17. Asha Agency Private Ltd., Mani Bhuwan, Tulsi Pipe Road, Bombay-16.
- 18. Peerline (Paris) Ltd., Rehman Building, Vir Nariman Road, Bombay-1.

(iv) *Miscellaneous :*

- *19. Standard Vacuum Oil Co., Post Box No. 355, Bombay.
- 20. Burmah-Shell Oil Storage & Distributing Co., of India, Bombay.
- *21. Balmer Lawrie & Co. Ltd., 21, Netaji Subhas Road, Calcutta-1.
- 22. Caltex (India) Ltd., Bombay.
- *23. Kores (India) Ltd., Post Box No. 6558, Bombay.
- *24. Indian Aluminium Co. Ltd., Belapur Road, Kalwa, Thana, Bombay.
- *25. Reckitt & Colman of India Ltd., Post Box No. 9002, Calcutta.
- *26. Buckingham & Carnatic Co. Ltd., Post Box No. 66, Madras.
- *27. Coorla Spg. & Wvg. Co. Ltd., Kurla, Bombay-37.
- *28. Fenner & Cockel, Madura.
- *29. Paulson, Paints & Cellulose Works, 25, Union Park, Chembur, Bombay-28.
- *30. The Standard Mills Co. Ltd., New Prabhadevi Road, Bombay-28.
- *31. Bengal Chemical & Pharmaceutical Works Ltd., Calcutta.
- *32. Gestetner Duplicators Ltd., 9-A, Esplanade East, Calcutta-4.
- *33. Associated Cement Companies, Cement House, Queen's Road, Bombay-1.

Consumers of Derivatives :

- 34. May & Baker, Sir, P. M. Road, Bombay-1.
- 35. Bengal Waterproof Works (1940) Ltd., 32, Theatre Road, Calcutta.
- 36. Jenson & Nicholson (India) Ltd., 2, Fairlie Place, Calcutta.
- 37. British Paint (India) Ltd., 32, Chowringhee, Calcutta.
- *38. Addisons Paints and Chemicals Ltd., Post Box 851, Madras.
- 39. F. Harley & Co., 5, Delhi Serampore Road, Intally, Calcutta.
- *40. Guest Keen Williams Ltd., 41, Chowringhee, Calcutta.
- *41. Indian Aluminium Co. Ltd., 31, Chowringhee Road, Calcutta-16.

E. ASSOCIATIONS:(i) *Producers' Association :*

- *1. Indian Chemical Manufacturers' Association, 12 Netaji Subhas Road, Calcutta.

(ii) *Consumers' Associations:*

- 1. Paint Federation, P.O. Box No. 280, Calcutta.
- *2. Association of Rubber Manufacturers in India, Post Box No. 391, Calcutta.
- 3. Indian Rubber Industries Association, Homji Street, Bombay.

F. GOVERNMENT DEPARTMENTS:

- *1. Industrial Adviser (Chemicals), Ministry of Commerce & Industry, (Development Wing), Shahjahan Road, New Delhi.
- *2. Director General of Supplies & Disposals, Shahjahan Road, New Delhi.
- 3. Director of Industries, Bombay.
- 4. Director of Industries, Uttar Pradesh, Lucknow.
- *5. Director of Industries, West Bengal, Calcutta.
- *6. The Collector of Customs, Bombay.
- *7. The Collector of Customs, Madras.
- *8. The Collector of Customs, Calcutta.
- *9. Director General, Ordinance Factories, 6, Esplanade East, Calcutta.
- *10. The Textile Commissioner, Witter Road, Ballard Estate, Bombay-1.
- *11. The Director, Indian Standards Institution, 19, University Road, Civil Lines, Delhi.
- *12. The Minister (Economic) to the High Commission for India in U.K., India House, Aldwych, London W.C.2.
- *13. First Secretary, Embassy of India, Bultenrust Weg-2, The Hague (Netherlands).
- 14. First Secretary (Commercial) to the Embassy of India, 2107, Massachusetts Avenue, N.W. Washington 8 D.C (U.S.A.).
- *15. First Secretary (Commercial) to the Consulate General of India, 2 Place des Eava-vives, Geneva, Switzerland.
- *16. The Indian Trade Commissioner, Prudential Building, 39-48. Martin Place, Sydney (Australia).

G. RAW MATERIAL SUPPLIERS :

- *1. Nelson Trading Corporation Private Ltd., 11, Elphinstone Circle, Bombay-1.
- *2. M. N. Daruwalla & Co., 32, Apollo Street, Fort, Bombay-1.
- *3. Firoz Trading Co., Ltd., Kamer Building, 38, Cawasji Patel Street, Bombay-1.
- 4. Forbes, Forbes Cambell & Co., Private Ltd., Forbes Building, Home Street, Bombay-1
- 5. W. A. Beardsell & Co. Ltd., 15-16, Sir P. Mehta Road, Bombay.
- 6. Eric L. Dunne & Co., Wadia House, 162, Queen's Road, Bombay.
- *7. Hindustan Lever Ltd., Scindia House, Ballard Estate, Bombay.

APPENDIX II

(Vide paragraph 3.3)

List of persons who attended the Commission's public inquiry on 8th August 1957

(A) PRODUCERS OF ACIDS :

| | | |
|-------------------------------------|----------------|---|
| 1. Shri M. G. Kotibhaskar | } Representing | Navsari Oil Products Private Ltd., Vijalpore Road, Navsari (Dist. Surat). |
| 2. Shri H. N. Kotibhaskar | | |
| 3. Shri K. K. Nair | | |
| 4. Shri R. V. Karve | | |
| 1. Dr. B. P. Godrej | } | Godrej Soaps Private Ltd., 316, Delisle Road, Bombay-11. |
| 2. Shri K. R. Gokulam | | |
| 3. Dr. C. B. Khanpara | | |
| 1. Shri J. C. Das Gupta | } | Calcutta Chemical Co., Ltd., 35, Panditia Road, Calcutta-29. |
| 2. Shri K. N. Menon | | |
| Shri Jagmohan Saran | , | Modi Vanspati Mfg. Co., Modinagar (Meerut) U.P. |
| Shri N. R. Bhow | , | The Swastik Oil Mills Ltd., P.O. Box No. 362, Bombay. |

(B) PRODUCERS OF DERIVATIVES :

| | | |
|----------------------------|---|--|
| Shri C. M. Patel | , | The Sanitex Chemical Industries Ltd. Chemical Industries P.O. Industrial Road, Baroda-3. |
|----------------------------|---|--|

(C) PRODUCERS' ASSOCIATION :

| | | |
|---------------------------|---|---|
| Shri G. P. Nair | , | Indian Chemical Manufacturers' Association, India Exchange, Calcutta-1. |
|---------------------------|---|---|

(D) IMPORTERS OF ACIDS :

| | | |
|----------------------------|---|--|
| Shri H. M. Baxi | , | Das & Co., Das Chambers, Dalal Street, Fort, Bombay. |
| Shri K. H. Patel | , | Indequip Private Ltd., Manekji Wadia Building, 127, Mahatma Gandhi Road, Fort, Bombay-1. |
| Shri K. N. Bhatt | , | The New Standard Chemicals Co., Private Ltd., 281, Samuel St., Vadgadi, Bombay. |

(E) CONSUMERS OF ACIDS :

(i) Cosmetics :

| | | |
|------------------------------|---|--|
| Dr. M. B. Ichapria | , | The Tata Oil Mills Co. Ltd., Bombay House, Bruce Street, Fort, Bombay-1. |
| Mr. E. G. Miles | , | Colgate-Palmolive (India) Private Ltd., Post Box No. 1965, Bombay. |
| Shri G. M. Haidery | , | F. S. Patanwala, Building, Cannought Road, Bombay-27. |

Mr. J. Mackie Representing Burroughs Wellcome & Co. (India) Private Ltd., Cook's Building, Hornby Road, Bombay-1.


(ii) *Rubber Goods:*

Mr. A. I. Blackwood „ The Association of Rubber Manufacturers in India, 57-B, Free School St., Calcutta-16.
&
The Dunlop Rubber Co. (India) Ltd., 57-B, Free School Street, Calcutta-16.

(iii) *Miscellaneous:*

Shri K. V. Vijayaraghavan „ Standard Vacuum Oil Co., Post Box No. 355, Bombay.
Shri J. S. Shah „ Balmer Lawrie & Co. Ltd., 21, Netaji Subhas Road, Calcutta-1.
Dr. A. M. Patel „ The Standard Mills Co. Ltd., New Prabhadevi Road, Bombay-28.

(F) GOVERNMENT DEPARTMENTS :



Dr. J. D. Joshi „ Director of Industries, Kalam Kutir, 211-219, Frere Road, Bombay-1.
Shri P. B. Sarkar „ Director General of Supplies & Disposals, Shahjahan Road, New Delhi.
Shri S. R. Ramachandran „ The Textile Commissioner, Witter Road, Ballard Estate, Bombay-1.
Shri D. Das Gupta „ Indian Standards Institution, 19, University Road, Civil Lines, Delhi-8.
Shri G. D. Nerurkar „ The Collector of Customs, Bombay.

(G) RAW MATERIALS SUPPLIERS :

Shri R. A. Taraporewalla „ Hindustan Lever Ltd., Scindia House, Ballard Estate, Bombay-1.
Shri K. J. Daruwalla „ M. N. Daruwalla & Co., 32, Apollo Street, Fort, Bombay.
Shri B. L. Agharkar „ The Nelson Trading Corporation Private Ltd., 11, Elphinstone Circle, Bombay-1.

APPENDIX III

(Vide paragraph 11.1)

Details of import control policy from July-December, 1953 to July-September, 1957

Stearic acid and oleic acid fall under item 31, part V of the Import Trade Control Schedule. The import control policy for these items from July-December, 1953 to July-September 1957 was as follows :—

July-December 1953

Imports of stearic acid were banned for established importers but actual users' licences were considered for triple pressed stearic acid for cosmetics manufacturers only. Imports of oleic acid were not allowed.

January-June 1954

The same policy as in the previous licensing period was followed.

July-December 1954

Imports of stearic acid were banned during this period but actual users' applications were considered for stearic acid giving full justification regarding the need for its import in consultation with the Development Wing. No imports of oleic acid were allowed.

January-June 1955

The import control policy for stearic acid continued to be the same as in the previous licensing period. Imports of oleic acid were banned to established importers but applications from Manufacturers of grease for token imports were considered on an *ad hoc* basis in consultation with the Development Wing.

July-December 1955 and January-June 1956

The policy continued to be the same as in the previous licensing period.

July-December 1956

The policy for stearic acid continued to be the same as in the previous licensing period. Imports of oleic acid were allowed only to actual users on an *ad hoc* basis in consultation with the Development Wing.

January-June 1957 and July-September 1957

The policy continued to be the same as in the previous licensing period.

APPENDIX IV

(Vide paragraph 11.2)

Statement showing origin, quantity and value of imports of Stearic and Oleic acids and any other product containing 70 per cent or more of these acids during the years 1954, 1955, 1956 and 1957 (January-February), as compiled from the monthly returns received from the D. G.C.I. & S. Calcutta

IMPORTS

| Indian custom Tariff Item No. | Name of the article | Origin of import | 1954 | | 1955 | | 1956 | | 1957 (Jan.-Feb.) | |
|--|--|--|-----------------------------|-----------------------------------|------------------------------|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | | | Quantity cwts. | Value Rs. | Quantity cwts. | Value Rs. | Quantity cwts. | Value Rs. | Quantity cwts. | Value Rs. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 28(20) | (a) Acid Oleic or any pro- duct containing 70% or more of free liquid fatty acids. | U.K. . Australia . Netherland . Germany Western U.S.A. . | 81 310 | 6,672 27,637 | 8 .. 123 98 34 | 1,693 .. 10,047 7,872 3,201 | 49 .. 6 .. | 7180 .. 1880 .. | 5 | 1505 |
| | Total | | 391 | 34,309 | 263 | 22,813 | 55 | 9060 | 5 | 1505 |
| | (b) Any product manufac- tured from (a) and con- taining 70% or more of combined liquid fatty acids. | U.K. . Australia . Netherland . France . U.S.A. . | .. .. .. .. .. | .. .. .. .. .. | 652 225 350 1 .. | 69,399 17,149 32,022 268 23 | .. .. .. .. .. | .. .. .. .. .. | .. .. .. .. .. | .. .. .. .. .. |
| | Total | | .. | .. | 1,228 | 1,18,861 | .. | .. | .. | .. |

APPENDIX V

(Vide paragraph 14)

Statement showing the Breakdown of Landed costs into C. I. F. Prices, Customs duty and Clearing Charges of Stearic and Oitic Acids

| Sl. No. | Source of information | Origin of import | Date of import | Type & Specification | C.I.F. price | Customs Duty at 3 1/4% or Re.-[8]- per lb. whichever is higher. | Rs. nP. | Rs. nP. | Rs. nP. | Landed cost |
|---------|---------------------------------|------------------|----------------|--|--------------|---|---------|---------------|---------|-------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | | |
| 1 | Collector of Customs, Bombay. | Holland. | 21-1-57 | Triple pressed crystal | . | 0.86 | 0.50 | Not available | 1.43 | |
| | | Do. | 8-3-57 | Triple pressed | . | 0.86 | 0.50 | " | 1.43 | |
| | | U.K. | 8-2-57 | Hydrogenated sperm oil | . | 0.75 | 0.50 | " | 1.38 | |
| | | | | Split or distilled special stearic acid 208. | | | | | | |
| | | Holland. | 5-2-57 | Cosmetic Grade | . | 0.86 | 0.50 | " | 1.43 | |
| | | U.K. | 9-4-57 | Triple pressed | . | 0.86 | 0.50 | " | 1.43 | |
| | | U.K. | 15-4-57 | Cosmetic quality | . | 0.86 | 0.50 | " | 1.43 | |
| | | Holland. | 11-5-57 | Triple pressed U.S.P. | . | 0.86 | 0.50 | " | 1.43 | |
| | | U.K. | 10-5-57 | Cosmetic grade | . | 0.86 | 0.50 | " | 1.43 | |
| | | U.K. | 11-5-57 | U.S.D. Quality | . | 0.86 | 0.50 | " | 1.43 | |
| | | U.K. | 9-1-57 | Stearic Acid | . | 0.87 | 0.50 | 0.01 | 1.38 | |
| | | U.K. | 19-1-57 | Stearic Acid | . | 0.94 | 0.50 | 0.03 | 1.47 | |
| 2 | Collector of Customs, Calcutta. | Netherlands | 15-2-57 | Stearic Acid | . | 0.87 | 0.50 | 0.01 | 1.38 | |
| | | Netherlands. | 8-3-57 | Stearic Acid | . | 0.87 | 0.50 | 0.01 | 1.38 | |

| | | | | | | | | |
|---|-------------------------------|---------|-------------|------------------------------------|------|------|------|------|
| 3 | Collector of Customs, Madras | Holland | 6-2-57 | Triple pressed large crystals | 0.86 | 0.50 | 0.01 | 1.37 |
| 4 | Indian Aluminium Co. Calcutta | U.K. | Jan. 57 | Triple pressed crystalline | 0.81 | 0.50 | 0.02 | 1.33 |
| 5 | Hindustan Lever Ltd., Bombay | U.K. | 9-1-57 | Crystalline quality triple pressed | 0.86 | 0.50 | 0.01 | 1.37 |
| 6 | Burroughs Wellcome, Bombay | U.K. | 14-2-57 | Triple pressed flakes | 0.86 | 0.50 | 0.01 | 1.37 |
| 7 | E. S. Patanwala, Bombay | U.K. | Jan-June 57 | .. | 0.86 | 0.50 | 0.01 | 1.37 |
| 8 | Indequip (P) Ltd., Bombay | U.K. | Feb '57 | .. | 0.86 | 0.50 | 0.02 | 1.38 |
| 9 | Colgate Palmolive (I) Ltd. | Holland | 20-3-57 | Cosmetic grade | 0.87 | 0.50 | 0.01 | 1.38 |
| | Australia | | 27-3-56 | .. | 0.78 | 0.50 | 0.02 | 1.30 |

Through

10 The Minister (Economic) to the
High Commission for India in
U. K.

Letter dated

सत्यमेव जयते

(a) Croda Ltd. (Snaith Goole) U. K.

13-6-53
Single Pressed.
Double Pressed
Triple Pressed

0.74
0.80
0.86

(b) Messrs Price, Bromborough
Ltd. U. K.

Single Pressed
Double Pressed
Triple Pressed

0.74
0.80
0.86

(c) Universal Oil Co. Ltd., Hull, U. K.

17-6-57
Single Pressed
Double Pressed
Triple Pressed

0.82
0.88
0.94

11 Embassy of India, The Hague,
Netherlands

25-6-57
Single Pressed
Double Pressed
Triple Pressed

0.74
0.80
0.86

12 Indian Trade Commissioner in
Australia

26-7-57
Single Pressed
Double Pressed
Triple Pressed

0.54
0.56
0.66

(B) OLEIC ACID

| | | | | | | | | | |
|--------------|---|--------------|---------------------|--------------------------|---------|----------------------|----------------|--------------------|----------------|
| 1 | Collector of Customs, Bombay . | W. Germany . | 17-11-56 20-5-57 | Pure B.P. Pure . | | 2.75 2.78 | 0.87 0.97 | Not avail- able | 3.63 4.13 |
| 2 | Gestetner Duplicate, Calcutta . | U.K. . | 10-10-56 | .. | .. | 0.98 | 0.50 | 0.04 | 1.52 |
| 3 | Indequip Private Ltd., Bombay | U.K. . | Sept. 56 | .. | .. | 0.96 | 0.50 | 0.02 | 1.48 |
| Through 4 | The Minister (Economic) to The High Commission for India in U. K. | U.K. . | Letter dated | | | | | | |
| | (a) Croda Ltd. (Snaith Goole) | U.K. . | 13-6-57 | Pale Brown . | | 0.86 0.80 | .. .. | .. .. | .. .. |
| | (b) Messrs. Price Bromborough Ltd. & Unilever Ltd. | U.K. . | 13-6-57 | Pale Brown . | | 0.86 0.80 | .. .. | .. .. | .. .. |
| | (c) Universal Oil Co. Ltd., Hull, (U.K.). | U.K. . | 17-6-57 | B. P. Pale Brown . | | 0.95 0.89 0.83 | .. .. .. | .. .. .. | .. .. .. |
| 5 | Embassy of India, The Hague, Netherlands. | Netherlands | 25-6-57 | White Brown . | | 0.86 0.80 | .. .. | .. .. | .. .. |
| 6 | Indian Trade Commissioner in Australia. | Australia | 26-7-57 | High grade Low grade | | 0.73 0.68 | | | |

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